

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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July 19, 2012

The Public Employee Retirement Administration Commission has completed a review of the audit of the Middlesex County Retirement System conducted by the firm of Powers & Sullivan, LLC. Certified Public Accountants, in accordance with the provisions of Chapter 32, Section 21 of the Massachusetts General Laws. The audit covered the period from January 1, 2008 to December 31, 2010. This audit was determined to be conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00 and in compliance with the provisions specified in PERAC Memo #20/2008.

We conducted an inspection of the work papers prepared by Powers & Sullivan, LLC. Certified Public Accountants, at their offices in Wakefield, MA on November 7, 2011. We determined that the audit was conducted in a competent, professional manner and the work papers demonstrated that audit tests and procedures were performed in sufficient detail to allow us to accept the final audit report as issued.

The financial statements and footnotes presented in this report were limited to the express results as of and for the years ended December 31, 2008, December 31, 2009, and December 31, 2010.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission, with the exception of those specifically noted in the Findings and Recommendations document prepared by the firm of Powers & Sullivan, LLC. Certified Public Accountant's and presented as a part of this report. The content of such document has been posted on the PERAC web page as presented in the final version submitted by Powers & Sullivan, LLC. Certified Public Accountants to the Middlesex County Retirement Board dated as of December 20, 2011.

We identified specific differences between their financial audit designed to provide an opinion on these financial statements and our compliance audit designed to ensure adherence with the statute and regulations specific to the operations of a regional multiple employer defined benefit pension plan.

Accordingly, we supplemented the field work conducted in this audit by Powers & Sullivan, LLC. Certified Public Accountants, with certain limited procedures designed to provide us with additional assurance that the accounting and management standards established by the Public



Employee Retirement Administration Commission, contained in Regulation 840 CMR 25.00 were adhered to and complied with. We inspected certain records of the Middlesex County Retirement System to identify issues related to investments, 91A compliance, disability compliance issues, including remands, and supplemental regulations. In addition, we tested compliance with the interest rules for refunds; inspected payroll records to confirm benefit calculations; compared deduction reports to actual payroll source records; and initiated inquiries with many of the employer participating units to determine the basis for member contributions and certain other procedures.

It should be noted that the financial statements included in this audit report were based on the work performed and the tests conducted during the time the audit was conducted for the period referenced in the opinion dated December 20, 2011. This audit was not performed by employees or representatives of the Public Employee Retirement Administration Commission.

It should be noted that the opinion expressed in this audit report is qualified. It refers to the accounting and reporting practices prescribed by the Public Employee Retirement Administration Commission. Compliance was determined based on the Laws and Regulations in effect during the time the audit was conducted for the period referenced in this report. The opinion refers to differences in the accounting and reporting practices prescribed by the Public Employee Retirement Administration Commission and generally accepted accounting principles. These differences generally are based on compliance with the governing statute under Massachusetts General Laws Chapter 32.

It should be noted that the opinion expressed in this audit report refers to an on-going dispute between the Middlesex County Retirement System and the State Employees Retirement System. The description of the source of this dispute and the relevant factors contributing to its lack of resolution are disclosed in the footnotes (#12) of this report. No financial implications related to this dispute have been included in these financial statements. This qualification is duly noted by the Public Employee Retirement Administration Commission.

In closing, I wish to acknowledge the work of Powers & Sullivan CPA's, who conducted this examination, and express my appreciation to the Board of Retirement and staff for their courtesy and cooperation. It should be noted that PERAC audit staff will follow up in six months to ensure that appropriate actions have been initiated regarding the issues cited in the Findings and Recommendations document prepared by the firm of Powers & Sullivan, LLC. Certified Public Accountant's and presented as a part of this report. In addition, this visit will allow us to determine that all matters and opportunities to strengthen internal controls and improve operating efficiency have been appropriately considered.

Sincerely,

Joseph E. Connarton  
Executive Director